

EXHIBIT H



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U.S. Securities and Exchange Commission

Rule 504 of Regulation D

Rule 504 of Regulation D provides an exemption from the registration requirements of the federal securities laws for some companies when they offer and sell up to \$1,000,000 of their securities in any 12-month period.

A company can use this exemption so long as it is not a blank check company and does not have to file reports under the Securities Exchange Act of 1934. Also, the exemption generally does not allow companies to solicit or advertise their securities to the public, and purchasers receive "restricted" securities, meaning that they may not sell the securities without registration or an applicable exemption.

Rule 504 does allow companies to sell securities that are not restricted, if one of the following circumstances is met:

- The company registers the offering exclusively in one or more states that require a publicly filed registration statement and delivery of a substantive disclosure document to investors;
- A company registers and sells the offering in a state that requires registration and disclosure delivery and also sells in a state without those requirements, so long as the company delivers the disclosure documents required by the state where the company registered the offering to all purchasers (including those in the state that has no such requirements); or
- The company sells exclusively according to state law exemptions that permit general solicitation and advertising, so long as the company sells only to "accredited investors."

Even if a company makes a private sale where there are no specific disclosure delivery requirements, a company should take care to provide sufficient information to investors to avoid violating the antifraud provisions of the securities laws. This means that any information a company provides to investors must be free from false or misleading statements. Similarly, a company should not exclude any information if the omission makes what is provided to investors false or misleading.

While companies using the Rule 504 exemption do not have to register their securities and usually do not have to file reports with the SEC, they must file what is known as a "Form D" after they first sell their securities. Form D is a brief notice that includes the names and addresses of the company's owners and stock promoters, but contains little other information about the company.

If you are thinking about investing in a company making a Rule 504 offering, you should access EDGAR Company Search to determine whether the company has filed Form D. If the company has filed a Form D, you can request a copy. If the company has not filed a Form D, this should alert you that the company might not be in compliance with the federal securities laws.

You should always check with your state securities regulator to see if it has more information about the company and the people behind it. Be sure to ask whether your state regulator has cleared the offering for sale in your state. You can get the address and telephone number for your state securities regulator by calling the North American Securities Administrators Association at (202) 737-0900 or by visiting its [website](#). You'll also find this information in the state government section of your local phone book.

For more information about the SEC's registration requirements and common exemptions, read our brochure, [Q&A: Small Business & the SEC](#).

<http://www.sec.gov/answers/rule504.htm>

We have provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

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Modified:06/16/2008